

Proponent Written Testimony – H.B. 384

The Ohio Society of CPAs

Before the Senate Finance Committee

December 6, 2016

Chairman Oelslager, Ranking Member Skindell, and members of the Committee:

On behalf of the more than 21,000 members of The Ohio Society of CPAs, thank you for this opportunity to speak in support of H.B. 384. We applaud Representatives Schaffer and Duffey for their efforts to make performance audits available to Ohio's state universities.

Higher education is critically important to ensure a well prepared workforce is available for Ohio employers, but we all know that escalating tuition and other costs are making obtaining a college degree more challenging than ever for Ohio students. While university officials have been working hard to contain costs, having an outside perspective via a performance audit can be invaluable. As you already heard from Rep. Schaffer, just since 2011, eight performance audits of state agencies conducted by Auditor of State Yost's office have already identified nearly \$96 million in recommended savings. We couldn't agree more with the joint sponsors that performance audits would be a big help to our public universities as well to identify both cost savings and efficiencies. In fact, performance audits are a great tool for any operation, whether in the public sector or private sector.

As you may be aware, during the Great Recession the Ohio Society issued its Ohio Budget Advisory Task Force Report. That Task Force developed a series of recommendations on how to help our state not only recover from its economic challenges, but position itself for a stronger future. Our approach was to treat the State of Ohio as a CPA firm would treat a troubled client: looking at efficiencies and cost savings to be gained, cost containments, strategic planning processes, and finally revenue enhancements. Among other things, this team of top-level CPAs from around the state strongly agreed that all levels of government would benefit from performance audits. Performance audits were adopted into Ohio law soon thereafter for many state agencies.

Being accountable means being able to show a return on the investment of taxpayer dollars by developing quantifiable metrics that show benefits gained for revenues expended. Financial audits routinely are conducted on all state agencies – including universities – and many local government entities. These audits test the numbers being presented by management to ensure they are reliable. Financial audits do not, however, address the need for a deeper dive into management and administrative practices to ensure they are cost efficient, streamlined and not duplicative. Such assistance can be gained through a number of methods, but performance audits are among the best.

Performance audits are a valuable management tool structured around Government Auditing Standards that evaluate whether tax dollars are being spent in an efficient, effective and economically sound manner. These audits measure a program's actual performance against its goals and objectives and help to identify any waste, inefficiency or unneeded duplication of services, and identify best practices used by similar Ohio or out-of-state entities.

Performance audits conducted by a third party are different from an in-house performance review. Performance audits are conducted in accordance with specific government auditing standards by an independent party to ensure impartiality. Performance reviews are conducted by internal management. While often providing useful information, as in the case of school district report cards, the potential cost savings from the in-house performance review is greatly lessened when compared to the more in-depth, independent evaluation that we will result in greater savings.

Government performance auditing was developed in the late 1960's and administered by the U.S. Government Accountability Office (GAO). The main guideline for the area is provided by Government Auditing Standards (referred to as the "yellow book"). Numerous progressively managed state and local governments have employed performance audits as a best practices tool.

Each performance audit, whether of an entire department or just a program, includes a methodology, evaluations, results, recommendations and action plans. Performance audits are currently implemented in numerous other states, cities, counties and townships across the country and the world. Performance auditing will help our universities identify ways to improve accountability, oversight and performance of their operations and ultimately benefit us all.

Again, thank you for your willingness to consider the views of Ohio's CPA community on this important legislation. With the financial challenges facing educational institutions and students alike, we encourage you to adopt this proven way to save taxpayer dollars and hopefully also limit costs paid by students.